

FIRST UNION RAIL

One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

Tel 847.318.7575
Fax 847.318.7588

Mr. Vernon E. Williams
Surface Transportation Board
1925 K Street, N.W., Room 704
Washington, DC 20423-0001
Attn: Recordation of Railroad Equipment

Re: Memorandum of Lease Agreement

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are one (1) original and two (2) copies of a Memorandum of Lease Agreement dated August 1, 2006, a primary document as defined in the Board's Rules for the Recordation of Documents. Please file this Memorandum of Lease as a primary document since a Master Lease has not been filed with the Surface Transportation Board. The names and addresses of the parties to the enclosed document are:

Lessor: First Union Rail Corporation
One O'Hare Center
6250 River Road, Suite 5000
Rosemont, IL 60018

Lessee: Pacific BioEnergy Corporation
12080 Willow Cale Forest Road
Prince George, BC V2N 4T7
CANADA

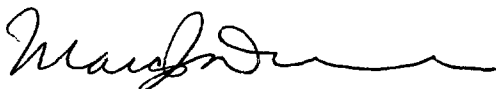
A description of the railroad equipment covered by the enclosed document is twenty (20) 5250 cubic foot covered hopper cars, with FURX marks, (see Exhibit A for car numbers).

A short summary of the document to appear in the index follows: Memorandum of Lease

Also enclosed is a check in the amount of \$34.00 payable to the order of the Surface Transportation Board covering the required recordation fee. Kindly return one (1) stamped original of the enclosed document to the undersigned along with the additional copies.

If you have any questions regarding the above-referenced matter, please contact me at (847) 384-5397. Thank you for your cooperation in this matter.

Very truly yours,



Marcia Dunne
Rail Documentation Specialist

Enclosures

(PBEC011)



RECORDATION NO. 26550 FILED

SEP 14 '06

3-57 PM

SURFACE TRANSPORTATION BOARD

September 12, 2006

UPS 2nd DAY AIR

ASSGN. NO.: PBEC011

SEP 14 '06

3-57 PM

MEMORANDUM OF LEASE

SURFACE TRANSPORTATION BOARD

THIS MEMORANDUM OF LEASE (the "Memorandum") is made and entered into as of this the 1st day of AUGUST, 2006, by and between the Montreal branch of FIRST UNION RAIL CORPORATION ("Lessor"), a North Carolina corporation, and PACIFIC BIOENERGY CORPORATION ("Lessee"), a British Columbia corporation.

WITNESSETH:

The undersigned Lessor and Lessee have entered into that certain Lease Agreement (the "Lease"), dated as of AUGUST 1, 2006, whereby Lessor has agreed to lease to Lessee certain railcars pursuant to Rider No. 1 to the Lease (the "Rider"), as described in more particular on Exhibit A attached hereto, effective as of April 1, 2006, and subject to the terms, conditions and provisions of the above-mentioned Lease and Rider which are incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have each caused this Memorandum to be duly executed under seal by their respective officers duly authorized as of the date and year first above written.

LESSOR:Name: Susan A. BarrieTitle: Regional Vice President, SalesSignature: *Susan A. Barrie*

PROVINCE OF QUEBEC

DISTRICT OF MONTREAL

I, Gordon Hopkins, a Commissioner of Oaths of the Province and District aforesaid, certify that Susan A. Barrie personally appeared before me this day and acknowledged his/her due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 1st day of August, 2006.

Gordon Hopkins
Commissioner of Oaths

My Commission Expires:


21/07/09

LESSEE:

PACIFIC BIOENERGY CORPORATION

Name: Paige Anderson

Title: Sales & Logistics Manager

Signature: 

PROVINCE OF BRITISH COLUMBIA

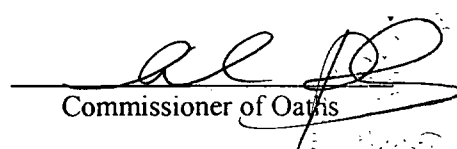
DISTRICT OF VANCOUVER

I, MICHAEL POSNIKOFF, a Commissioner of Oaths of the Province and District aforesaid, certify that Paige Anderson personally appeared before me this day and acknowledged his/her due execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 17th day of July, 2006.

My Commission Expires:

N/A


Commissioner of Oaths

MICHAEL J. POSNIKOFF
BARRISTER & SOLICITOR
BULL, HOUSSEY & TUPPER LLP
#3000, 1055 WEST GEORGIA
VANCOUVER, B.C. V6E 3R3
(604) 641-4896

EXHIBIT A
to
MEMORANDUM OF LEASE

NUMBER OF CARS: Twenty (20).

DESCRIPTION OF CARS: 5250 cu. ft., 286,000 GRL, covered hopper rail cars.

CAR NUMBERS:

FURX	850020
FURX	850041
FURX	850043
FURX	850058
FURX	850069
FURX	850081
FURX	850096
FURX	850098
FURX	850105
FURX	850109
FURX	850110
FURX	850122
FURX	850126
FURX	850147
FURX	850189
FURX	850193
FURX	850207
FURX	850211
FURX	850218
FURX	850229